



**City of Santa Barbara – Public Works Department  
May 28, 2009**

**Information Sheet:  
Proposed Increase in Buy-in Fees for Water and Wastewater Service**

The City of Santa Barbara owns and operates water and wastewater (sewer) systems to serve its customers. The provision of such utility services involves substantial assets which are held in the Water Fund and Wastewater Fund respectively. These assets include cash reserves and investments, net receivables, and the capital assets that make up the water and wastewater systems. Capital assets include land, buildings, treatment plants, pumping stations, reservoirs, and piping for distribution and collection throughout the City's utility service areas. Revenue to operate the water and wastewater systems comes entirely from charges for water and sewer service. No General Fund revenue is used to support the water and wastewater utilities.

New customers of the water and wastewater systems are charged a "buy-in" fee upon connection or increase in the size of the metered capacity serving a property. This is in addition to the cost to install the physical connection to the system and any extension of the system that may be necessary to serve the new customer.

The buy-in fee reimburses existing customers for a proportionate share of the assets of the system, which existing customers have funded through payment of monthly service charges and their own buy-in fee at the time of connection. Upon payment of the buy-in fee, new customers are considered to have an equal equity position as compared to existing customers and can appropriately be charged in accordance with the City's rate schedule as it applies to existing customers. Proportionate share is generally based on the new customer's metered capacity compared to the total metered capacity for all customers of the system. Historically, the value of capital assets has been based on the depreciated value. Staff recommends that the undepreciated value of the original construction is a more accurate valuation of the capital assets constructed to date by existing customers, particularly given that part of this investment was for extra capacity to be available to serve future customers. Current and proposed buy-in fees are shown below. The derivation of proposed buy-in fees is shown on the following page.

**Water and Wastewater Buy-in Fees for New Construction – Current FY 2009 vs. Proposed FY 2010**

Customer Class:	Multi-Family Resid.		Single Family Resid.	All Other Classes								
	Meter Size	5/8" 1" & larger		5/8"	1"	1½"	2"	3"	4"	6"	8"	10"
Water Buy-in, Current:	\$1,431	\$3,579	By meter size at right	\$2,805	\$7,013	NA	\$22,440	\$44,881	\$70,126	\$140,252	\$224,403	\$322,579
Proposed:	\$2,904	\$7,261		\$5,691	\$14,227	\$28,455	\$45,528	\$91,056	\$142,275	\$284,549	\$455,279	\$654,463
Sewer Buy-in, Current:	\$1,143	\$2,240	\$2,240	\$2,240	\$5,601	NA	\$17,922	\$35,844	\$56,007	\$112,014	\$179,222	\$257,631
Proposed:	\$2,101	\$4,118	\$4,118	\$4,118	\$10,294	\$20,588	\$32,941	\$65,882	\$102,941	\$205,882	\$329,411	\$473,528

## Derivation of Buy-in Fees<sup>1</sup>

Water Buy-in Fees				Notes/Derivation	
Calculation of Fund Asset Valuation:					
Total Assets (undepreciated):		\$298,461,415		From FY 2008 CAFR, page 36	
Total Liabilities:		- \$ 61,431,850			
Net Water Fund Buy-in Valuation:		\$237,029,565			
No. of 5/8" Equivalent Meters: (capacity method)		41,650		The number of 5/8" meters that would equal the total flow capacity of all the potable meters on the water system	
Equivalent Potable Meter Buy-in Fee:		\$ 5,691		Total Fund Equity divided by No. of Equivalent Meters	
Fee Schedule		Current	Proposed		
Multi-Family residential dwelling units, per unit:	5/8" meter:	\$ 1,431	\$ 2,904	Equivalent meter fee, times ratio of average MFR usage per dwelling unit to average SFR 5/8" meter usage	Equivalent Meter Factors
	1" meter:	\$ 3,579	\$ 7,261	Equals 5/8" MFR buy-in fee times 1" Equiv. Meter Factor	
Single Family Residential and all other uses:	5/8" meter:	\$ 2,805	\$ 5,691	Equal to equivalent meter buy-in fee, by definition	1
	1" meter:	\$ 7,013	\$ 14,227	Equal to equivalent meter buy-in fee, times Equivalent Meter Factor	2.5
	1.5" meter:	NA	\$ 28,455		5
	2" meter:	\$ 22,440	\$ 45,528		8
	3" meter:	\$ 44,881	\$ 91,056		16
	4" meter:	\$ 70,126	\$ 142,275		25
	6" meter:	\$ 140,252	\$ 284,549		50
	8" meter:	\$ 224,403	\$ 455,279		80
	10" meter:	\$ 322,579	\$ 654,463		115

Sewer Buy-in Fees				Notes/Derivation	
Calculation of Fund Asset Valuation:					
Total Assets (undepreciated):		\$169,966,487		From FY 2008 CAFR, page 36	
Total Liabilities:		- \$ 19,489,533			
Net Wastewater Fund Buy-in Valuation:		\$150,476,954			
No. of 5/8" Equivalent Meters: (capacity method)		36,545		Per above for water, minus meters with no sewer, plus accounts with sewer only	
Equivalent Meter Buy-in Fee:		\$ 4,118		Total Fund Equity divided by No. of Equivalent Meters	
Fee Schedule		Current	Proposed		
Multi-Family residential dwelling units w/ 5/8" meter, per unit:		\$ 1,143	\$ 2,101	Equivalent meter fee, times ratio of average MFR usage per dwelling unit to average SFR 5/8" meter usage	Equivalent Meter Factors
Single Family Residential & all other Multi-Family residential, per unit:		\$ 2,240	\$ 4,118	Set equal to equivalent meter buy-in fee	
All other uses:	5/8" meter:	\$ 2,240	\$ 4,118	Equal to equivalent meter buy-in fee, by definition	1
	1" meter:	\$ 5,601	\$ 10,294	Equal to equivalent meter buy-in fee, times Equivalent Meter Factor	2.5
	1.5" meter:	NA	\$ 20,588		5
	2" meter:	\$ 17,922	\$ 32,941		8
	3" meter:	\$ 35,844	\$ 65,882		16
	4" meter:	\$ 56,007	\$ 102,941		25
	6" meter:	\$ 112,014	\$ 205,882		50
	8" meter:	\$ 179,222	\$ 329,411		80
	10" meter:	\$ 257,631	\$ 473,528		115

<sup>1</sup> Asset values from City of Santa Barbara Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2008

# **City of Santa Barbara Notice of Public Hearing**

**Proposed Utility Rate  
Increases  
Including Water and  
Wastewater  
Buy-in Fees for New  
Development**

**Date: June 9, 2009**

**Time: 2:00 p.m.**

**Place: City Council Chambers,  
City Hall  
735 Anacapa Street, Santa  
Barbara**

NOTICE IS HEREBY GIVEN that the City Council of the City of Santa Barbara will consider, at the above-indicated time and place, a recommendation to adopt a resolution to increase fees for utility services provided by the City of Santa Barbara, including, but not limited to, water and wastewater (sewer) buy-in fees. Buy-in fees are collected from new customers of the City water and wastewater systems to reimburse existing customers for a proportionate share of the financial and infrastructure assets of the Water Fund and Wastewater Fund respectively. The public will have an opportunity to address the City Council at the hearing. Additional information about the proposed buy-in fees will be available beginning May 28, 2009 at the City Clerk's Office, City Hall, 735 Anacapa Street, Santa Barbara, Monday through Thursday and alternate Fridays between the hours of 7:30 a.m. and 5:30 p.m.